BRITISH COLUMBIA

BC STATS

Ministry of Management Services

Infoline

Contact: bcstats.infoline@gems6.gov.bc.ca *Issue:* 04-19 *May 14, 2004*

- **Manufacturing shipments rose 4.6% in March, the largest one-month expansion in four years**
- **BC exports flat in March**
- **Canadian movies captured 3% of domestic theatre revenues in 2002/03**

The Economy

- **Shipments of goods from British Columbia manufacturers rose 4.6% (*seasonally adjusted*) in March, the largest one-month expansion in four years.** Forestry-related manufacturing was the driving factor, with soaring shipments from paper (+13.0%) and wood (+4.5%) manufacturers. These two sectors, taken together, made up 43% of all manufacturing shipments. A related, though much smaller, furniture industry also posted strong gains (+10.9%). However, a part of the boost in forestry-related manufacturing may simply be inflation. Lumber and pulpwood prices are significantly higher than during the same time last year. Food producers—the next largest industry in BC manufacturing—posted little increase in shipments in March (+0.6%). *Data Source: Statistics Canada*

- **Across the country, manufacturing shipments rose 3.4%.** The gains were broad based, with 19 out of 21 industries reporting higher shipments. The auto industry (+8.2%) posted the strongest growth. Every province saw an increase in manufacturing output, with the highest growth rates in Saskatchewan (+9.7%) and Nova Scotia (+8.5%). *Data Source: Statistics Canada*

- **For the first quarter of 2004, BC manufacturing shipments were up 3.4% (*seasonally adjusted*).** This may well reflect a turn around for the manufacturing industry, as five out of the previous six quarters brought declining shipments. Across Canada, first quarter shipments were up 2.6%. *Data Source: Statistics Canada*

- **Exports of BC products were unchanged (-0.1%, *unadjusted*) in March from the same month last year.** BC exporters saw a 12.3% increase in international shipments of forest products, but exports of energy (-26.8%) and agricultural & fish (-16.4%) products were both substantially lower than in the same month of 2003. However, exporters of industrial goods (+14.2%) posted solid gains. After leading the nation during most of the last two years, Alberta's exports plummeted (-12.9%) in March, largely because energy exports were down 23.1%. Energy exporting provinces on the east coast also felt the pinch: Newfoundland's exports slipped 12.6% while Nova Scotia posted a 13.4% decline. In both provinces, falling energy exports played a key role in the decline. *Data Source: Statistics Canada*

  Seasonally adjusted export data for BC will be published next week.

- **During the first quarter, exports of BC products fell 2.3% (*unadjusted*), relative to the same period of 2003.** Forest product exports edged up 0.9%, but international shipments of most other commodities were down substantially from first quarter 2003 levels. Energy exports, the second most important commodity group in terms of value, fell 8.1%.

  BC's drop in exports was part of a nation-wide decline which saw the (unadjusted) value of exports slip 2.2% overall. Saskatchewan (+9.9%) and Manitoba (+2.5%) were the only provinces to escape the general downturn. Newfoundland (-16.9%) was particularly hard-hit. Ontario (-1.7%) and Quebec (-2.6%) posted modest declines as a stalled automotive sector, and weaker exports of machinery and equipment kept the lid on exports. *Data Source: Statistics Canada*

- **British Columbia's booming housing market continued its expansion in April, with housing starts soaring 39.4% (*seasonally adjusted*).** Saskatchewan (+29.4%) and New Brunswick (+58.3%) also posted double-digit growth rates, though almost every other province recorded

Report BC Animal Exports Facing Trade Restrictions

Did you know...
34% of British Columbians say they had to get car repairs immediately after their vehicle's warrantee expired.

declines. For Canada as a whole, housing starts dropped 4.5%. *Data Source: Statistics Canada*

- **New housing prices in Victoria were 10.6% higher this March than in the same month last year.** The year-over-year increase in the New Housing Price Index was the highest in the country, and double the national average of 5.1%. Both land (+13.8%) and building (+8.8%) prices in the capital city were sharply higher than in March 2003. In Vancouver, new housing prices rose a comparatively modest 4.6%. Land prices in Vancouver changed only marginally (+2.1%). New housing prices rose in virtually every metropolitan area of the country. After Victoria, the city with the highest year-over-year increase in average prices was Quebec (+6.9%). *Data Source: Statistics Canada*

- **Sales of new motor vehicles in BC rose 12.4% (seasonally adjusted) in March**. This follows after nearly a half year of lagging sales. North American built passenger cars (+15.3%) showed the strongest growth. Sales of overseas cars remained timid (+1.5%). In the market for trucks (including minivans and SUVs), in contrast, overseas-manufactured vehicles (+14.1%) showed much stronger sales than those produced in North American (+5.9%).

  Nationally, new motor vehicles sales were up 4.1%. BC had one of the strongest growth rates, second only to Nova Scotia (+15.9%). Sales declined in four provinces, most sharply in Saskatchewan (-6.4%). *Data Source: Statistics Canada & BC Stats*

- **Restaurant, caterer and tavern revenues edged up 0.9% (*seasonally adjusted*) in February, after two months of decline**. Revenues in BC showed about half the growth seen at the national level (+1.7%).

  Data Source: Statistics Canada & BC Stats

Bus to Work Week?

- **Some 13% of working people in Vancouver "usually" use public transit to commute to work.** This is higher than in Victoria (11%), but well below the major cities in central Canada – Toronto (24%) and Montreal (24%).

  In Vancouver, women (13%) are slightly more inclined towards the bus than men (10%). The same is true for recent immigrants (21%) compared to Canadian-born residents (11%). Among those with family incomes below $20,000, 23% use public transit to commute to work. Only 8% of those from high-income families ($80,000+) commute on the bus.

  People living close to the city centre are the most likely to ride the bus. For those living within 3 km of downtown Vancouver, 37% commute by bus. For those living 20+ km from downtown, only 7% take the bus.

  Data source: SC, Catalogue no. 11-F0019-MIE

The Nation

- **Canadian environmental businesses earned $370 million from the sale of technologies that reduce greenhouse gas emissions in 2002**. This is an increase of 29.8% over two years.

  Fuel cells and other alternative fuel technologies contributed the most revenue ($118 million). Solar and wind energy systems are another major component ($112 million), and this technology has shown very strong revenue growth (+45%). *Data Source: Statistics Canada*

- **Canadian movies captured 3% of domestic movie theatre revenues in 2002/03, their highest share in almost a decade**. Theatre revenues for Canadian-made movies rose to $463 million, up nearly 15% over the previous year.

  In the video and DVD sector, Canadian products continued to capture only 2% of the market. Canadian productions have a much stronger presence on Pay-TV, where they hold 22% of revenues (up from 21% the year before). Conventional TV is a middle ground, with 14% of revenue flowing to Canadian shows.

  Overall, 2002/03 was a strong year for Canadian films and videos. Even for products that did not expand their market share, rising household spending on entertainment brought in higher revenues across the board.

  Data Source: Statistics Canada

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Infoline Report

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BC's Animal Agriculture Exports Facing Trade Restrictions

BC's cattle, poultry and swine exports are all facing trade restrictions

British Columbia's cattle, poultry and swine exports are all facing restrictions that could have a serious detrimental impact on the province's agricultural exports. The cattle and beef industry has been beset by the outbreak of bovine spongiform encephalopathy (BSE), more commonly referred to as "mad cow" disease, since an infected cow was discovered in Alberta in May 2003. As a result, exports of beef and cattle from Canada were banned by several countries and effectively ceased for a few months. Some trade has since resumed, but the discovery of another infected cow in Washington State in December that was traced back to Alberta has further exacerbated the problem and has made a return to normal trade in the near future unlikely.

The avian flu virus is threatening BC's poultry industry

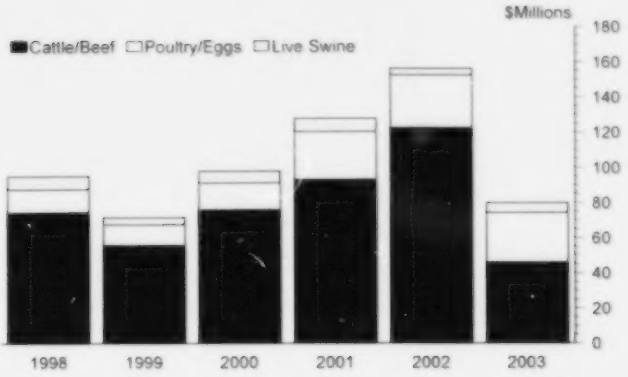
Poultry exports are threatened by another illness: Avian influenza. The avian flu virus was found to be present in several farms in the Fraser Valley and while this variant of the flu is quite different from the one that resulted in human deaths in Asia in that it is not thought to pose a serious threat to humans, it does have serious and deadly effects for poultry. As a result, nearly 40 countries, including the United States, have implemented a ban on poultry exports from British Columbia, with some countries extending the ban to all of Canada. The ban includes all poultry products, including eggs. The Canadian Food Inspection Agency (CFIA) has ordered a cull of all chicken and turkeys on farms in the Fraser Valley to combat the disease.

American hog farmers are petitioning for duties against Canadian swine

Meanwhile, as if diseased animals weren't enough of a headache for BC's animal agriculture sector, in a move reminiscent of the softwood lumber dispute, hog farmers in the United States have petitioned the US government to slap anti-dumping and countervailing duties against Canadian hogs for alleged unfair subsidies and dumping at below-market prices. This is not the first time that Canadian hogs have faced duties from the United States. Between 1985 and 1999 swine imports from Canada into the United States were subject to countervailing tariffs.

The combined effect of these events has the potential to seriously harm British Columbia's agri-food sector. In 2002, prior to the BSE outbreak, these three commodity groups comprised almost 11% of BC's agri-food exports. However, this amounted to only $156.2 million, which was only 0.5% of total BC origin exports. Nevertheless, these issues have the potential to have a negative effect on the provincial economy, particularly the avian flu, since a large portion of BC's fowl and egg production is consumed domestically and the amount exported is small by comparison.

British Columbia's animal agriculture exports are being threatened



The effects of the BSE outbreak are reflected in the drop in value of cattle and beef exports in 2003

Concerns over BSE have handcuffed the cattle and beef industry

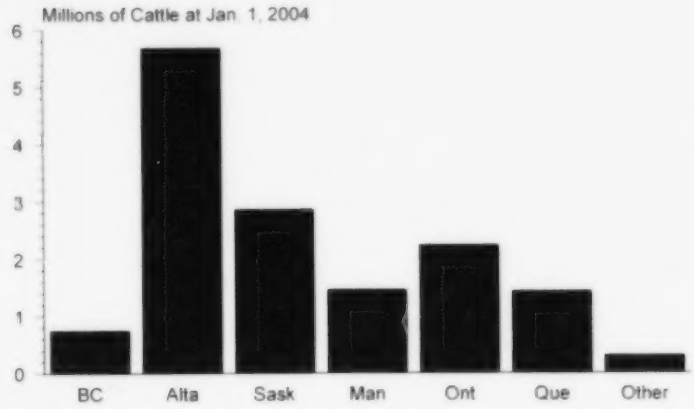
Exports of live cattle and beef products from Canada dropped to zero after the discovery of a BSE-infected cow in Alberta. It was months before some of the trade restrictions were eased and selected cuts of beef were allowed to pass over the border. For British Columbia it is not so much the halt in trade in beef that was a problem, since BC exports very little beef to begin with, but the restriction on shipments of live cattle. BC exported $118.9 million worth of live cattle in 2002, compared to only $3.4 million worth of beef.

Cattle populations are expanding across the country as farmers are having difficulty finding markets for their livestock

The ban on imports of Canadian cattle into the United States has resulted in an expanded livestock population in Canada. In BC, there were 74,000 cattle as of January 1, 2004 compared to only 68,300 a year earlier. There were almost 1.2 million more cattle in all of Canada compared to January 2003. The excess of cattle and no place to sell them has resulted in further problems for cattle ranchers, because the price they are getting for their cattle has dropped substantially, so even those cattle that they can sell are not bringing in much in revenue. In addition, severe drought conditions in recent years have left ranchers without good sources of feed, which is driving up their costs.

As serious as the problem is, the impact on British Columbia total exports has been minimal. Together, beef and cattle exports made up only 0.4% of total BC origin exports in 2002. Only 6.5% of all cattle shipped out of Canada originated in BC in that year and a paltry 0.2% of beef exports were from BC. Compared to the Prairie provinces, particularly Alberta and Saskatchewan, BC is a bit player in the cattle industry. Even Ontario and Quebec have more head of cattle than British Columbia. Alberta has by far the most to lose if this crisis continues to drag on. Over a third of Canadian cattle exports and three-quarters of beef exports originate in Alberta.

Alberta has by far the most to lose due to the mad cow crisis, while BC has much less at stake



BC is a small player in the cattle industry compared to provinces in the prairies and central Canada

BC's poultry industry is reeling from the avian flu

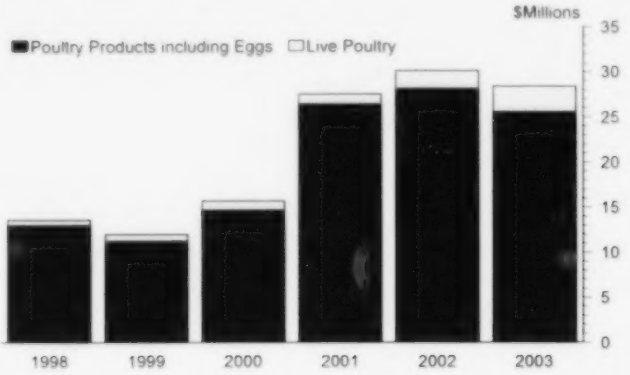
British Columbia is the third most significant poultry producer in Canada after Ontario and Quebec. In 2002, about 16.3% of all fowl and chickens and 11.0% of turkeys produced in Canada were from BC. Approximately one-tenth of the poultry produced in BC (based on weight) is destined for export. In 2003, BC was the origin of 22.2% of live poultry exports from Canada, although this amounted to only 6.2% of revenue from this trade, presumably because the birds from BC were of smaller varieties. For other poultry products, including eggs, 10.9% of the value shipped out of the country originated in BC.

BC is the third-largest poultry producer in the country after Ontario and Quebec

The total value of all poultry and poultry products exported from BC in 2003 amounted to only $28.4 million, which is only a small part of overall trade, but if the potential loss of the domestic market is included, the avian flu outbreak could result in significant economic damage.

The CFIA has ordered the slaughter of all chickens and other poultry within Fraser Valley, which represents approximately 80 percent of all poultry in the province. The number of birds to be destroyed could number as high as 19 million. The quick action of the CFIA has resulted in the European Union lifting the trade ban on most poultry products from Canada, excluding those from British Columbia. This is the same treatment they have extended to the United States, where restrictions on poultry from Texas remain in place. There was a similar outbreak of a different strain of the disease in Texas earlier in the year.

The avian flu threatens almost $30 million in potential exports of poultry products from British Columbia



All exports of poultry and poultry products from BC are jeopardized due to the outbreak of avian flu

Currently, World Organisation for Animal Health standards stipulate that a country can be considered free of avian influenza six months after the slaughter of the last affected bird. Although this does not necessarily mean all countries currently banning imports of BC poultry will wait that long before lifting trade restrictions, it indicates that trade in poultry products from BC could face a lengthy period of disruption before returning to normalcy, which could cause significant economic hardship for the farmers involved, as well as for their employees. Already hundreds of employees have been laid off as a result of the flu outbreak.

It could take as long as six months after the last affected bird is slaughtered before BC will be considered free of the avian flu

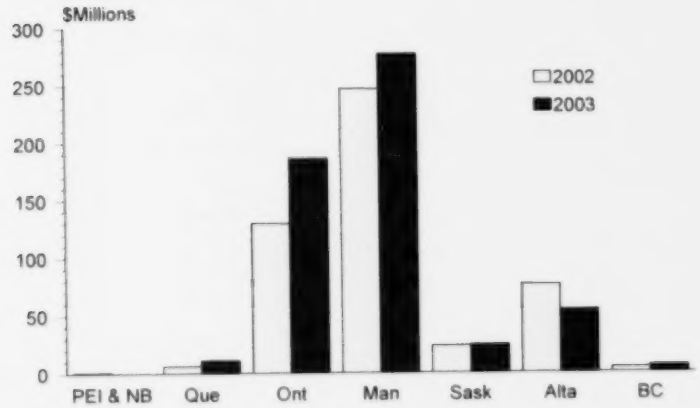
It is possible that a large percentage of the birds slated for slaughter could be salvaged. Flocks will be tested for the presence of the flu virus and will be approved for processing if the tests are negative. However, even though many farmers will be able to sell their birds and the others will probably be compensated for their lost flocks, they will likely end up losing a great deal due to the time it will take before their farms are cleared for use. The industry estimates that it could take as long as six months before poultry farmers can resume production. Farms outside the cull area could be affected as well as they may have difficulty finding suppliers for replacement chicks to keep their flocks fully stocked.

Americans looking to hog-tie Canadian pig farmers

American hog producers have petitioned their government to hit imports of live swine from Canada with punitive duties ranging from 5 to 20 percent. The United States National Pork Producers Council claims that Canadian farmers are receiving unfair subsidies from the federal and provincial governments and that they are guilty of dumping live hogs into the US market at prices below those for which they are sold in Canada.

The jump in sales of live hogs to the US from 5.7 million animals in 2002 to 7.4 million in 2003 is what precipitated the move. Canadian hog farmers deny the increase has anything to do with unfair trade practises. Rather, they suggest that a combination of the rising Canadian dollar, a decline in packing capacity in western Canada and a shift towards more consumption of beef over pork (in an effort to help cattle farmers deal with the export restrictions resulting from the BSE problem) were the driving forces behind increased pig exports.

The significant increase in exports of live hogs to the United States has prompted the petition for duties



Exports of live hogs to the US from Canada jumped from 5.7 million head in 2002 to 7.4 million in 2003

Canadian hog farmers have been struggling in the last several years due to low prices and prolonged droughts in Saskatchewan and Alberta that drove up the cost of feed. The jump in the value of the Canadian dollar combined with the drop in demand for pork exacerbated their problems in 2003. Many Canadian hog producers have resorted to becoming a supply source for weanling pigs to farms in the US Midwest where there is a significant supply of corn for use as feed, which makes it much cheaper to grow the hogs to market weight than in Canada, where feed is more expensive.

The imposition of duties on live hogs could end up driving many of these producers out of business. The Canadian government has pledged to fight the duties, denying that there are any unfair subsidies involved. According to data from the South Dakota Agricultural Statistics Service, there were 123.7 million head of hogs marketed in the United States in 2002. The hogs imported from Canada in that year represented less than 5% of these and even the larger number imported in 2003 is only 6% of that total.

For British Columbia, this dispute is much less of an issue compared to Manitoba and Ontario, where the bulk of Canadian live hog exports to the United States originate. In 2003, BC exported only $5.7 million worth of live hogs to the US, which is about one percent of the Canadian total.

BC is the origin of only a small portion of Canadian exports of live hogs to the US—most of the hogs are from Manitoba or Ontario

The effect of the trade dispute combined with the BSE and avian flu outbreaks represents only a small portion of BC's overall trade, but the impact on the overall economy may be much larger. Of the three problem areas, the avian flu is likely to have the most significant economic impact for BC since the amount of poultry exported is only a small part of total production and domestic sales will suffer as well. It appears that the CFIA is taking all the correct steps with respect to handling the flu problem, but it will take some time before the industry returns to normal. The same can be said of the cattle industry, but there is hope for Canadian hog farmers that the American government will find the petition to place duties on Canadian hog imports is invalid and therefore trade will not be disrupted.

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also on the Internet at www.bcstats.gov.bc.ca

BC at a glance . . .

POPULATION (thousands)	Jan 1/04	% change on one year ago
BC	4,168.1	1.0
Canada	31,752.8	0.9
GDP and INCOME		
(BC - at market prices)	2003	% change on one year ago
Gross Domestic Product (GDP) *($ millions)*	142,418	5.1
GDP *($ 1997 millions)*	130,914	2.2
GDP *($ 1997 per Capita)*	31,572	1.4
Personal Disposable Income *($ 1997 per Capita)*	19,495	-0.4
TRADE ($ millions, seasonally adjusted)		% change on prev. month
Manufacturing Shipments - Mar	3,329	4.6
Merchandise Exports - Feb	2,388	5.9
Retail Sales - Feb	3,524	2.4
CONSUMER PRICE INDEX		12-month avg
(all items - 1992=100)	Mar '04	% change
BC	121.6	1.7
Canada	123.6	1.9
LABOUR FORCE (thousands)		% change on
(seasonally adjusted)	Apr '04	prev. month
Labour Force - BC	2,209	-0.3
Employed - BC	2,038	-0.2
Unemployed - BC	171	-1.6
		Mar '04
Unemployment Rate - BC *(percent)*	7.7	7.9
Unemployment Rate - Canada *(percent)*	7.3	7.5
INTEREST RATES (percent)	May 12/04	May 12/03
Prime Business Rate	3.75	5.00
Conventional Mortgages - 1 year	4.55	5.35
- 5 year	6.40	6.50
US/CANADA EXCHANGE RATE	May 12/04	May 12/03
(avg. noon spot rate) Cdn $	1.3878	1.3787
US $ *(reciprocal of the closing rate)*	0.7205	0.7278
AVERAGE WEEKLY WAGE RATE		% change on
(industrial aggregate - dollars)	Apr '04	one year ago
BC	675.17	-0.8
Canada	681.16	3.2

SOURCES:

Population, Gross Domestic Product, Trade, Prices, Labour Force, Wage Rate } Statistics Canada

Interest Rates, Exchange Rates: Bank of Canada Weekly Financial Statistics

For latest Weekly Financial Statistics see www.bankofcanada.ca

Released this week by BC STATS

- Tourism Sector Monitor, April 2004
- Exports, March 2004
- Quarterly Regional Statistics, First Quarter 2004

Next week

- Exports, March 2004
- Consumer Price Index, April 2004

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